

Message Text

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ORIGIN EA-09

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DRAFTED BY EA/TB - RMGIBSON:MFG

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TO AMEMBASSY RANGOON

INFO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EAID, BM

SUBJECT: GUB AID CONSORTIUM PROPOSAL

REF: STATE 186747 AND PREVIOUS

SUMMARY: THE DEPARTMENT (EA/TB) CALLED IN A JAPANESE EMBASSY OFFICER (AOKI) AUGUST 11 TO DISCUSS THE GUB PROPOSAL FOR AN AID CONSORTIUM. WE REITERATED THE USG VIEW SET FORTH IN PARA 1 OF REFTTEL, STRESSING THE NEED FOR IMF/IBRD PARTICIPATION. AFTER DESCRIBING THE BURMESE PROPOSAL IN MORE DETAIL THAN PREVIOUSLY AVAILABLE, AOKI NOTED THAT THE GUB HAD BEEN VERY VAGUE AS TO WHAT, IF ANY, ROLE WAS TO BE PLAYED BY THE IMF/IBRD. HE STATED THAT FURTHER ELABORATION SHOULD BE AVAILABLE WHEN U LWIN VISITS NEXT MONTH'S IMF MEETING IN WASHINGTON. END SUMMARY.

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1. IN SETTING FORTH USG VIEWS ON THE BURMESE CONSORTIUM PROPOSAL TO AOKI, WE WERE CAREFUL TO AVOID ANY COMMITMENT OTHER THAN TO SAY WE WOULD PARTICIPATE IN A CONSULTATIVE GROUP OF AID DONORS MEETING UNDER IMF/IBRD AUSPICES. WE STRESSED THAT THE IMF/IBRD SHOULD PLAY THE LEADING ROLE IN ANY SUCH GROUP SINCE THEY COULD MORE APPROPRIATELY SAY SOME OF THE THINGS WHICH MIGHT HAVE TO BE SAID TO THE BURMESE. WE SAID WE PREFERRED THE TERM "CONSULTATIVE

GROUP" RATHER THAN "CONSORTIUM". WE INDICATED WE FELT THE LATTER FORMULATION IMPLIED AN EXISTING ECONOMIC AID PROGRAM OR A COMMITMENT TO BEGIN ONE, NEITHER OF WHICH WAS AN ACCURATE DESCRIPTION OF OUR CURRENT POSTURE TOWARD BURMA. WE SAID THAT AN AID CONSORTIUM WHERE MEMBERS SIMPLY POOLED FUNDS WHICH WENT DIRECTLY TO THE RECIPIENT WAS NOT ACCEPTABLE.

2. ACCORDING TO AOKI, WHEN DEPUTY PRIME MINISTER AND FINANCE MINISTER U LWIN BROACHED THE AID PROJECT TO AMBASSADOR ARITA IN RANGOON, HE USED THE TERM "CONSULTATIVE GROUPING." U LWIN NOTED THE OBJECTIVES OF SUCH A GROUPING AS 1) RATIONALIZING EXISTING AID, AND 2) TAPPING NEW SOURCES OF AID. THE GUB APPARENTLY ENVISIONS A PROCESS WHEREBY ONCE YEARLY IT WOULD MEET WITH MEMBERS OF THE GROUPING AND CIRCULATE A LIST OF PROJECTS REQUIRING AID. GROUP MEMBERS WOULD THEN CHOOSE WHICH PROJECTS THEY WISHED TO SPONSOR ON A BILATERAL BASIS. THE BURMESE WERE PROPOSING A 12 NATION GROUP WITH 6 "CORE" COUNTRIES OF LARGE DONORS (U.S., UK, JAPAN, FRG, CANADA, AND AUSTRALIA) AND 6 SECONDARY DONORS (FRANCE, BELGIUM, NETHERLANDS, YUGOSLAVIA, IRAN AND ONE OTHER COUNTRY).

3. AOKI SAID THAT ON WHAT, IF ANY, ROLE WAS TO BE PLAYED BY THE IMF/IBRD, U LWIN HAD EVIDENTLY BEEN SOMEWHAT VAGUE. THE PROGRAM DESCRIBED IN PARAGRAPH 2 DID NOT SEEM TO ALLOW FOR ANY BANK ROLE. THIS WAS A POINT OF CONCERN TO THE JAPANESE, WHO APPARENTLY SHARE OUR VIEW THAT ANY AID DONOR CONSULTATIVE GROUP WOULD BE OF LITTLE PROMISE WITHOUT A PROMINENT IMF/IBRD ROLE TO ASSURE LIMITED OFFICIAL USE

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FISCAL RESPONSIBILITY AND RATIONAL PRIORITIES. AT ANY RATE ACCORDING TO AOKI, U LWIN APPARENTLY PLANNED TO RAISE THE ISSUE IN DETAIL AT NEXT MONTH'S IMF CONFERENCE IN WASHINGTON. KISSINGER

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